Premiere
Retirement Planning & Wealth Management

WHY 59 ½ IS AN IMPORTANT AGE

PRESENTED BY PREMIERE WEALTH ADVISORS

59 1/2

It's the middle of summer vacation and you're watching Neil Armstrong take one small step for a man and one giant leap for mankind. It's July 20, 1969 and most everyone in America has stopped what they're doing to watch the event that John F. Kennedy promised would happen just a few years earlier.[1]

This event marks your upbringing and identity as an American in a significant way. Now you're nearing your 60th birthday, which doesn't seem as significant a milestone as the moon landing or important birthdays like 16, but that's where you're wrong! Turning 59 ½ is almost as exciting as when you turned 16 and could drive, because at 59 ½ you can withdraw from your retirement accounts without incurring a penalty.[2]

Hopefully you've been taking advantage of the ability to contribute extra money to your retirement accounts since you turned 50. You're also nearing the age at which you're eligible for Social Security benefits and Medicare. Keep reading to learn about your retirement options and how you can successfully transition into retirement.[3]

As a member of the largest generation in American history, you're sometimes blamed for bankrupting Social Security. But, you also contributed to Social Security your whole working life. About 76 million children were born during the boomer years, from 1946 to 1964[4], and those like you went on to contribute many years of work – and many dollars - to society. In addition to funding Social Security, you've also been funding your own retirement accounts. So how do you know if you have enough saved? Many financial analysts say that you should have $1 million in retirement savings if you want to live comfortably for the next 30 years in retirement.[5] But most Americans have less than $1,000 in retirement savings, and two-thirds say they expect to run out of money during retirement.[6] If you're behind on savings for retirement, there's hope: The IRS allows those 50 and older special allowances to help with saving for retirement, such as increased contribution limits.[7]

Contribution Limits

At age 50, workers with certain qualified retirement plans can make annual "catch-up" contributions in addition to their normal contributions. In 2021 you can contribute up to $6,000 to an IRA if you are under 50 and an additional $1,000 if you are 50 or older. Those who are 50 or older and participate in a Simple IRA or Simple 401(k) plan can contribute up to $16,500 per year for 2021. Those 50 and older can contribute an additional $6,500 to a 401(k), 403(b), most 457 plans, and a government Thrift Savings Plan in 2021 for a total of $26,000.[8]

In general, you can increase your retirement savings by focusing on saving instead of spending. Rather than putting away leftover money at the end of the month, it can be better to take a more disciplined approach to saving. You can shift money to a savings or investment account at the beginning of the month, consider establishing a traditional or Roth IRA, and get advice from a financial professional.

Do You Know How Much You're Paying in Fees?

Do you know how much you're paying in 401(k) fees? Or that you're charged fees in the first place? About 95% of 401(k) participants pay fees. There are administrative and investment management costs for 401(k)s. Fees can originate from the plan provider and the individual funds within the plan. The size of fees can vary: Some people may pay under 0.5% in fees, while others may pay more than 2%.[9]

For example, let's compare a 401(k) plan that charges 2% in fees to one that charges 1%. Both start with a balance of $100,000 and have an expected annual rate of return of 8%. After 30 years, the account paying 2% in fees would have grown to $574,350. Meanwhile, the account paying 1% in fees would have grown to $761,225.[10]

Are You Planning to Work Part-Time?

More Americans are transitioning to working part-time before retiring completely, or retiring from their career and working a part-time job instead. Thanks to the SECURE Act, you may still be able to participate in an employer-sponsored retirement plan as you're working part-time. Employees must typically work 1,000 hours per year in order to participate in a 401(k) plan. However, starting in 2021, employees must only work 500 hours for three consecutive years to be eligible for a 401(k).

Near the Social Security Finish Line

When you turn 59 ½, you're close enough to being eligible to receive Social Security benefits that you should start strategizing, if you haven't already. You can start receiving benefits at age 62, but your benefit could be reduced by up to 25%. Claiming at 62 can be a good idea if:

- **You won't have other income sources in retirement.**
- **You're worried about your health and want to maximize your benefit by collecting an extra 8 years worth of checks.**
- **Your spouse's benefit is going to be larger than yours.**
- **You don't expect to make more than $18,960 this year, which is the retirement earning exempt amount.[11]**

Age To Receive Full Social Security Benefits

(Called "full retirement age" or "normal retirement age.")

Year of Birth *	Full Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943 - 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

**If you were born on January 1st of any year you should refer to the previous year. (If you were born on the 1st of the month, we figure your benefit (and your full retirement age) as if your birthday was in the previous month.)*

https://www.ssa.gov/planners/retire/retirechart.html

You will receive 100% of your benefit if you wait until your full retirement age, which is between 65 and 67 depending on when you were born. If you wait until after your full retirement age to start receiving benefits, your benefit will increase by about 8 percent for each year you delay, until age 70.[12] If you wait until 70 to start receiving your benefit, you could receive 124% of your determined benefit. Claiming at 70 can be a good idea if:

- **You or your spouse plans on working until you're 70.**
- **Your spouse is young or will have a smaller benefit: Your spouse will get the larger Social Security amount after you pass away.[13]**
- **You have little saved from retirement and are healthy.**
- **You expect to live longer than the average American.**

Staying Healthy in Retirement

They say 60 is the new 50. This is partially because Americans are living longer. The average life expectancy of Americans aged 65 is about 85.[14] If you want to enjoy a long and healthy retirement, you have to think about your health and acknowledge the aging process.

If you've been sitting at a desk for the last few decades, you could be more likely to experience arthritis, being overweight, and having weak bones. Exercise can help to combat these things, and consulting a doctor about vitamin D, calcium supplements and lifestyle changes can make a difference.

Making your heart health a priority is important, as 20% of people ages 65-74 die from heart disease. That number has fallen, but it's still one of the biggest killers in America. Maintaining a healthy weight and having a healthy diet can decrease your risk of heart disease, as well as fend off dangerous inflammation and chronic ailments.[15]

THE GOOD NEWS

There's no doubt that our culture is obsessed with youth and often overlooks the benefits of aging. You may not have looked forward to getting older when you were younger, but now that you're nearing retirement you may have gained a different perspective. The fact is, older Americans tend to be happier, according to a Gallup-Healthways poll that measured various aspects of well-being like sense of purpose, social relationships, financial well-being, community involvement, and physical health. There could be many reasons for these findings, from financial stability to an active social life. However you plan on finding happiness in retirement, remember that aging is associated with an increased sense of well-being from a financial and emotional standpoint.

MORE MONEY

Older Americans were reportedly more satisfied with their standard of living and financial stability, and experienced less stress and worry related to these things. At a certain point in life, you learn that money doesn't buy happiness, but it can make life easier and make you feel confident about your future well-being.

MORE WISDOM

Many say that people gain wisdom as they age. Part of being wise is understanding what makes you happy and orienting your life around those things. Older Americans were reportedly not only financially better off, but emotionally better off than those under 30. This was measured by asking people what they felt the day before: Smiling/laughing, learning/doing something interesting, being treated with respect, enjoyment, and happiness, or sadness, anger and stress. Americans aged 60 to 99 were the age group most likely to be emotionally well off.

You've been through good times and bad, and know that both are temporary. You also know that money can't buy happiness, but it can enhance your retirement and security. You've done your job by working and building a nest egg, now let good financial planning do its job.

***Disclaimer Section**

PREMIERE RETIREMENT PLANNING & WEALTH MANAGEMENT

TUCSON OFFICE
1715 E SKYLINE DRIVE, SUITE 101
TUCSON, AZ 85718

MESA OFFICE
2929 N POWER ROAD, SUITE 101
MESA, AZ 85215

PHONE: (800) 313 - 6659

www.premret.com

Cite Sources:

[1] History.com Editors (August 23, 2018) 1969 Moon Landing https://www.history.com/topics/space-exploration/moon-landing-1969

[2] https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-tax-on-early-distributions

[3] https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-catch-up-contributions

[4] https://www.smartinsights.com/digital-marketing-strategy/baby-boomer-marketing-statistics/

[5] https://www.aarp.org/work/retirement-planning/info-2015/nest-egg-retirement-amount.html#quest1

[6] https://www.cnbc.com/2017/06/13/heres-how-many-americans-have-nothing-at-all-saved-for-retirement.html

[7] https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-catch-up-contributions

[8] https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-401k-and-profit-sharing-plan-contribution-limits

[9] https://www.investopedia.com/articles/personal-finance/061913/hidden-fees-401ks.asp

[10] https://cdn.americanprogress.org/wp-content/uploads/2014/04/401kFees-brief3.pdf

[11] https://www.ssa.gov/cola/

[12] https://www.ssa.gov/benefits/retirement/planner/delayret.html

[13] https://www.ssa.gov/planners/retire/1943.html

[14] https://www.ssa.gov/planners/lifeexpectancy.html

[15] https://www.ahajournals.org/doi/full/10.1161/CIR.0b013e3182009701